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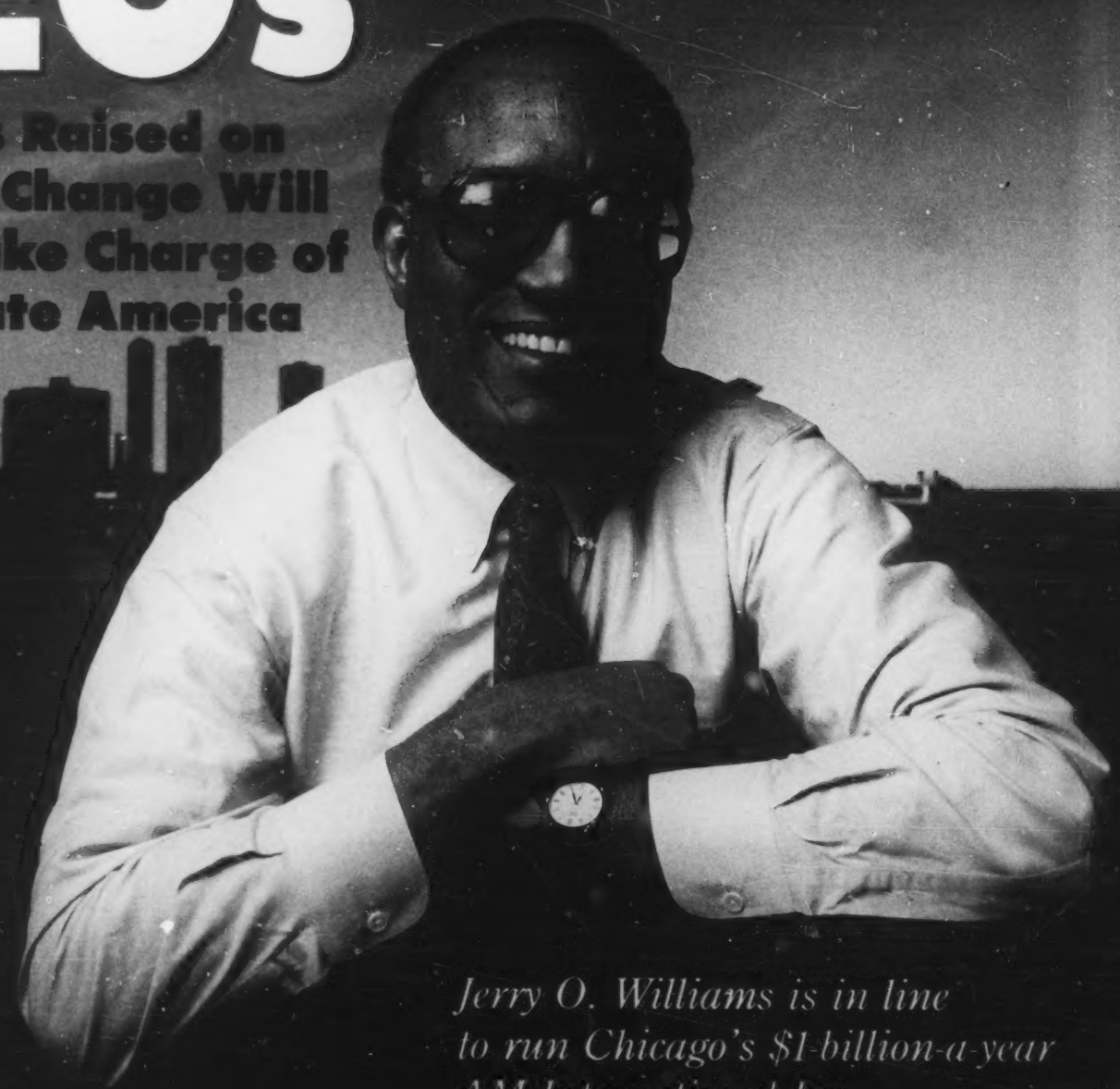
TOMORROW'S CEOs

Leaders Raised on Radical Change Will Soon Take Charge of Corporate America



Jerry O. Williams is in line to run Chicago's $1-billion-a-year AM International Inc.

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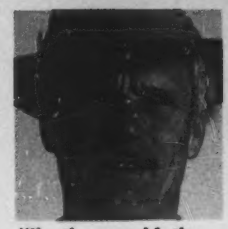

"I'm the proud father of three baby bears."

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"I think I'm capable of operating anywhere in the world."

PAGE 30

"Bob, *our* morale *isn't* low."

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"I suppose we have wounded some people, but that wasn't the intention."

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"Immigrants tend to be the stronger willed, the more sophisticated, the more adventuresome."

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"I respect the new system—it was badly needed. I put it in place, but I *hate* it."

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Cover: Jerry O. Williams was photographed at Burnham Park, ten minutes from his Chicago office, by Mark Seliger.

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THE EDITOR'S DESK

Taylor (right) grills a "suspect": Paul Allaire, next in line to be CEO at Xerox.

COMPANY presidents and other top executives are rational folks. Triskaidekaphobia is for other people. Black cats are no more ominous than tabbies. But these rationalists all seem to believe in one jinx: that even talking about becoming their company's next chief executive will scuttle whatever chances they have. Instead they shroud themselves in invisibility.

Sorry, guys (and they are all men), but your cover is blown by our cover story (see page 30), written by Alex Taylor III and edited by Susan Fraker. You'll be leading some of the top U.S. corporations in the 1990s, a decade with every likelihood of turbulence. Who you are, where you come from, and what you're like as an executive is too important to ignore.

Taylor began with the kind of scut work that police detectives know only too well. He checked the ages of more than 200 CEOs of FORTUNE 500 industrial companies. Then he moved on to the even more daunting task of putting together a list of "suspects" who'll be filling these positions, talking to his colleagues at FORTUNE, security analysts, competitors, headhunters.

"The real fandango," says Taylor, "began when I tried to talk to the candidates. Initially most of the PR people tried to discourage any interviews." Like the determined detective he is, Taylor persevered. Gradually heirs began to speak to him.

Other articles in this issue also focus on the future. One by Gene Bylinsky is on Genentech (see page 52), the biotechnology pioneer getting rich off a drug that dissolves blood clots. In addition to his scientific reporting (which we think he does better than anybody else), Bylinsky recently had a close-to-home experience with the new drug: "A man down the street had a massive heart attack, was given the drug in the hospital, and was sitting up in bed the next day."

In the fast-paced new Britain (see page 114), European editor Rik Kirkland recently demonstrated the future to a colleague from New York by taking him to lunch at a London yuppie hangout called Jam's. By 2:30 the room was deserted. "See. They're all back at their desks," said Rik. "We Americans are the only ones left."

Marshall Loeb

MANAGING EDITOR

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THE NEW BATTLE OVER IMMIGRATION

America needs skills. So should it admit people from abroad because they have these skills—or because they have relatives who are U.S. citizens?

■ *by Scott McConnell*

CONSIDER HOW AMERICA might look in the year 2000 unless it admits more immigrants: The labor force is aging and shrinking—a legacy of the baby-boom generation, whose panda-like reproductive patterns put birthrates below replacement level in 1972 and kept them there. Shortages of skilled labor, already noticeable in the 1980s in such fields as nursing and engineering, become acute. While the domestic market shrinks, America's international allies, economic rivals, and political adversaries watch the U.S. slouching toward a future sketched by Ben Wattenberg, the Jeremiah of the birth dearth: "a society that keeps getting older and smaller, older and smaller."

That scenario won't play in real life. As the economy shrugs off market crashes and continues to grow, people the world over dream of ways to come to America to fill its jobs and enjoy its freedoms. Last year, when the State Department quietly announced that 10,000 visas would be made available to people from countries that had been cut out of the recent immigration stream, government experts expected 100,000 applicants. They received 1.5 million. Today at least two million people, all qualified for immigration, await visas for entry.

America, a nation of immigrants, is once again engaged in a battle of whom and whom not to let in. Always an emotional issue, the immigration debate this time plays off the human drama of family ties against the critical need for skilled workers. The outcome will determine no less than the health of the economy as well as the future composition and character of the country.

A tacit bargain exists between American capitalism and the restless and ambitious people who, whatever their birthplace or talents, reach the country's shores: In exchange for labor, and painful efforts at assimilation, come a higher standard of living and upward mobility, if not always for themselves then at least for their children. But the terms of that historic bargain are being gradually transformed.

continued

Rallying round the flag, *new Americans celebrate after a naturalization ceremony in Brooklyn. Some 280,000 immigrants become citizens a year.*

After 24 years without papers, *Mexican Carlos Romero-Gaitan, 101, is the oldest person to apply for legal status under the amnesty program.*

From the Far Corners of the World and Near

Europeans can't come to the U.S. so easily anymore. Hans L. Hammarquist, above, from Sweden found the sweetest way: He fell in love with an American woman and married her. Though immigration's door is open widest to those with family ties, the people here have found a variety of ways to come in.

Little Linda Thu Hoang Do *may know Vietnam only as the land of her father's pain.*

PHOTOGRAPHS BY LYNN JOHNSON—BLACK STAR

From France: *a Bell Labs engineer*

From India: *an MIT grad who stayed*

From Guatemala: *She seeks asylum.*

From Iran: *He received asylum.*

Once a maw that could take in all, even those with little education and less English, the economy now demands skills. By the end of the century the U.S. will add some 21 million new jobs. Almost all will require a high level of literacy and at least some specific training—in many cases quite a lot of it. Though native-born Americans will take many of the new openings, assuming they can overcome dismal public school preparation, they will be in short supply. The Hudson Institute's study *Workforce 2000* figures that an astounding 22% of the jobs appearing in the next 12 years will go to new arrivals.

That may be wishful thinking. Current immigration policy gives little weight to education or job skills. The single most important criterion for establishing immigrant status: family ties. The "family reunification" goal of existing policy means preferential treatment not only for the immediate family of naturalized citizens—spouses, parents, and minor children—but for the extended family as well. In a phenomenon called "chain immigration," an in-law can bring in a brother, who can sponsor another in-law, and so on, expanding the number of families eligible for reunification indefinitely. Of the 500,000 nonrefugee immigrants to the U.S. in 1986, about 470,000 had family sponsors.

Admissions of refugees, those special cases whom the President and Congress agree to let in on humanitarian grounds, have averaged 65,000 a year since 1983. From 1980 to 1982 the dramatic exodus of Vietnamese allowed the U.S. to bring in several times that figure. About 20,000 would-be citizens enter the U.S. and simply claim asylum each year, but only about a quarter of them are eventually permitted to become resident aliens. The largest stream of immigrants outside the family-preference categories are those who had the foresight to enter the U.S. illegally before 1982. By the time the amnesty program is finished, an estimated two million illegal aliens will be eligible for citizenship and thus able to bring in their extended families.

IN DECIDING who will be allowed to immigrate, the possession of job skills, or entrepreneurial ability, or capital to invest, counts for practically nothing. Only 27,000 visas a year go to professionals and their families. Skilled and unskilled workers whose employers endure the complicated process to sponsor them account for another 27,000.

After years of wrangling over illegal immigration, Congress is now debating the system of legal immigration. The key question is whether immigration policy should move away from family reunification and toward the selection of immigrants on the basis of their likely economic contribution. A bill that inches in that direction, jointly sponsored by Senator Edward Kennedy (D-Massachusetts) and Alan Simpson (R-Wyoming), rolled easily through the Senate in March. Similar legislation, which calls for an annual ceiling of 670,000 immigrants, vs. 590,000 in the Kennedy-Simpson bill, has been introduced by Representative Charles Schumer (D-New York) and is pending before the House judiciary committee. Both Senate and House bills open a small channel for "independent" immigrants. A point system, which takes into account education, English-language skills, work experience, and occupational demand, would be used to allocate 55,000 of these visas annually. Another 5,000 visas would go to investors who can each put $2 million into a business that creates ten full-time jobs. Both bills wisely cut back some of the advantages given to the cousins and in-laws of present citizens.

SMOOTH SENATE PASSAGE does not promise an easy road in the House, where various immigration lobbies may stall reform. Heading a group that wants sharp reductions in the numbers of immigrants is the Federation for American Immigration Reform (FAIR), a coalition supported by environmentalists and such population controllers as former Colorado Governor Richard Lamm, some liberals who worry about the competitive impact of low-wage immigrants on blacks and other disadvantaged Americans, and people who feel uneasy about the influx of large numbers of foreigners. On the other side is the National Immigration, Refugee, and Citizenship Forum, which favors increased immigration. Forum is an umbrella organization for labor unions, churches, refugee assistance organizations, and Hispanic and other ethnic groups. Though the lobby uses the declining birthrate and looming labor shortages to support its views, it remains tightly wedded to the family reunification criteria. Families, says Forum's director, Rick Swartz, "serve as cushions" for immigrants, helping them become comfortable in the new culture.

The National Council of La Raza ("the race"), a Mexican-American group with allies in the House Hispanic caucus, also supports family reunification. "It provides a network of persons already here who help the accul-

REPORTER ASSOCIATE *William E. Sheeline*

Where most U.S. immigrants came from

	1905		1925		1965		1986	
1	Austria-Hungary	275,693	United Kingdom*	53,822	Canada	38,327	Mexico	66,753
2	Italy	221,479	Germany	46,068	Mexico	37,969	Philippines	61,492
3	Russian empire	184,897	Mexico	32,964	United Kingdom	27,358	Korea	35,164
4	United Kingdom*	64,709	Scandinavia	16,810	Germany	24,045	China	32,389
5	German empire	40,574	Italy	6,203	Cuba	19,760	Dominican Republic	30,787
6	Sweden	26,591	France	3,906	Colombia	10,885	Haiti	26,216
7	Norway	25,064	Czechoslovakia	2,462	Italy	10,821	India	24,808
8	Japan	10,331	Switzerland	2,000	Dominican Republic	9,504	Jamaica	18,916
9	France	10,168	China	1,937	Poland	8,465	United Kingdom	16,129
10	Portugal	5,028	U.S.S.R.	1,775	Argentina	6,124	Canada	16,060
Total immigration:		1,026,499		294,314		296,697		601,708

Europe ■ Latin America, Mexico, Caribbean ■ Asia ■ Canada *Includes Ireland. SOURCE: U.S. IMMIGRATION AND NATURALIZATION SERVICE

turation process," says La Raza's director of policy analysis, Charles Kamasaki. While not opposed in principle to a special category for independent immigrants, as put forth in the House and Senate bills, Kamasaki worries that skills-based immigration would eventually cut into the visas now reserved for family reunification.

In spite of the subject's importance, business has mainly stayed out of the debate. While such groups as FAIR and La Raza can generate piles of letters to Congress, the only persistent business voice on the Hill belongs to the fruit and vegetable growers, who want to ensure their access to a work force of low-paid aliens, legal or otherwise. The U.S. Chamber of Commerce has testified in Congress in support of the limited but valid issue of increasing quotas for the foreign employees of U.S. corporations.

Roughly nine million immigrants will come to the United States during the 1980s, twice the number that came in the 1970s and many more than have entered in any similar period since World War I. But it is not an unprecedented flow, relatively speaking. From 1900 to 1930, the foreign-born made up more than 12% of a (much smaller) U.S. population, twice the percentage today.

Most of the immigrants, about 84%, are from Asia, Latin America, and the Caribbean (see table). While this reflects the great desire by people in those areas to come to the U.S., the composition is also the consequence of the Immigration Act of 1965. This law repudiated the national origins quotas that had governed immigration for most of the century. The old system generally ensured that those who were allowed to enter would not alter the country's ethnic balance. Thus, it effectively kept out Asians and shut the door to most of Eastern Europe's hunted Jews during the Nazi era. The new law, passed in the spirit of the 1960s, treated all nations the same—Ireland and Italy like Pakistan and Ethiopia.

Replacing the country quotas was a preference system, which favored family ties, not talent or skills. The system allows the entry of immediate family members without limit. It also allocates 270,000 visas worldwide to preference categories: other relatives, professionals, and company-sponsored workers. Of those precious visas, fully 90% go to family members. No country gets more than 20,000 of the preference visas in one year. In the event more than 20,000 petitioners are eligible for visas, their applications are held over to the next year, with priority over later applicants.

No one expected the 1965 act to radically change the traditional European patterns of immigration. After all, who had family members here? Attorney General Robert Kennedy told the Senate that 5,000 Asian immigrants might come the first year, "after which immigration from that source would virtually disappear." The bill's white ethnic supporters in Congress expected that Italian- and Greek-Americans would have leeway to bring their relatives. At first they were right. Of the 3.3 million immigrants who came during the 1960s, Italy, Germany, Britain, and Canada trailed behind only Cuba and Mexico as sources of new immigrants.

But the stream changed quickly. Though Asians, Mexicans, and other Latin Americans had few family connections, they filled the smaller quotas for employer-sponsored workers and professionals. Europeans did not. In booming Western Europe people didn't want to leave; in East Bloc countries they couldn't. The first Asians were physicians, engi-

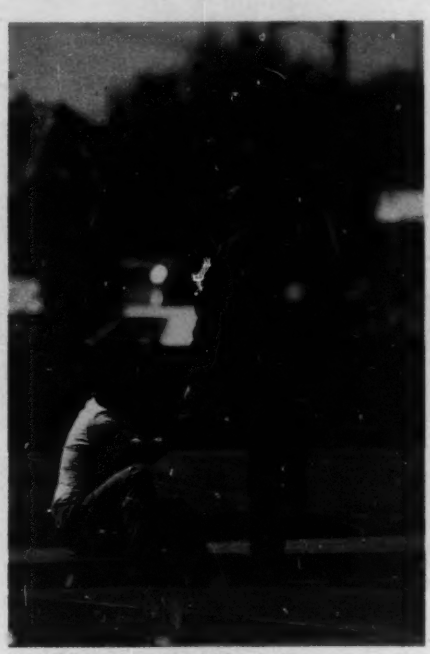
Hong Kong? *No, this supermarket is in suburban Los Angeles.*

neers, nurses, the occasional war bride from Korea and Vietnam. By the late 1960s European scientists and engineers, who had usually been able to enter and bring their families at will, began to find their professional counterparts from India, Korea, and Taiwan ahead of them in the line for the 27,000 professional visas. These first Asians used the family-preference system to its full potential.

What no legislator voting on the 1965 act envisioned was how quickly family reunification would produce chain immigration. Imagine one immigrant, say an engineering student, who was studying in the U.S. during the 1960s. If he found a job after graduation, he could get labor certification and become a legal resident alien. He could then bring over his wife, and six years later, after being naturalized, his brothers and sisters. They, in turn, could bring their wives, husbands, and children. Within a dozen years, one immigrant entering as a skilled worker could easily generate 25 visas for in-laws, nieces, and nephews.

CHAIN IMMIGRATION made families happy, but it brought other difficulties. Several countries—the Philippines, Mexico, Korea, the Dominican Republic—quickly filled their quotas, creating long waiting lists. This backlog completely closed the door to those would-be immigrants who had no close relatives to sponsor them. In effect, countries that hadn't quickly established a beachhead of immigrants after the 1965 law were kept out of the system.

This problem was responsible for the last-minute amendment to the 1986 Immigration Reform and Control Act that provided for a one-time only issuance of 10,000 visas for 36 countries whose immigration had been "adversely affected" by the 1965 bill. One of these countries was Ireland, ancestral home of Brian Donnelly, the Boston Congressman who proposed the amendment. Others were Poland and Hungary, where potential immigrants were finding it easier to leave. Tens of thousands of applications came from Indonesia and Japan. Seven thousand Rumanians, whose country was not included in the program, made inquiries at the U.S. embassy. In Burma, which also was not included, 5,000 showed up at the American embassy. The huge response to the Donnelly amendment —150 applications were filed for every available visa—was a stunning demonstration of the pent-up desire for American citizenship around the world.



Nabbing *a suspected illegal alien*

Countries were not really hurt by the 1965 law, but individuals were. A brother-in-law of someone who had immigrated ten years before could come in, no matter what his talents or lack of them. A person with ambition and skills was blocked.

Traditionally immigrants to the U.S. have done well not only because the economy needed them, but also because the decision to immigrate itself tends to rule out the passive and complacent. As Rick Swartz of the National Immigration Forum puts it: "Immigrants tend to be the stronger willed, the more sophisticated, the more adventuresome." Their children have done well too. Economist Barry Chiswick of the University of Illinois figures that for most of this century the children of immigrants have earned 5% to 10% more than native-born children with the same level of education.

Most research shows that, so far, the economy has been helped by the recent wave of immigration. Studies by both the Rand Corp. and the Urban Institute conclude that new immigration has particularly stimulated the economy of California, the home of nearly 30% of recent immigrants.

The main point of the Urban Institute's *The Fourth Wave* is that an influx of immigrants during the 1970s did not create higher unemployment for the native born. Author Thomas Muller found that recent arrivals took two of three newly created jobs in Los Angeles County, one out of three in Southern California. But the immigrants did not upset employment rates. In fact, California unemployment rates, higher than the national average in 1970, fell below the mean in the early 1980s.

Many immigrants found basic manufacturing jobs in Southern California, which became a large-scale maker of clothes and furniture. Muller notes that the backbone of this work force is low-paid, often illegal labor, and that these factory jobs simply would not exist without immigrants to take them. The white-collar managers of such firms benefit, as do the workers who produce raw materials for such companies.

Muller stresses that the new wave of immigrants worked well economically because of its sociological diversity. The large numbers of laborers from Mexico were balanced by a parallel stream from Asia of quite skilled immigrants—37% had some college education or better. The only economic losers from immigration were workers at the bottom of the occupational ladder, whose growing numbers forced wage growth to slow.

The problem of social assimilation may well be more emotionally charged for Americans, both immigrants and natives, than economic issues. In such Los Angeles suburbs as Monterey Park, older white residents battle thriving Chinese immigrants about zoning regulations, a contest rooted in cultural tension over "unreadable" Asian-language signs in the malls and other symbols of the changing of a neighborhood. But these confrontations have been polite and bloodless, mild by the traditional standards of American ethnic politics, softened by the shared middle-class mores of the participants. If future tensions between natives and immigrants take on the added edge of class conflict, the battles may be less polite.

FOR MEXICAN IMMIGRANTS, assimilation and economic advancement have been tightly linked. A Rand study by Kevin McCarthy and Burciaga Valdez concludes that Mexicans in California have been joining the American mainstream in the same three-generation process that generations of Poles, Russians, and Italians have traced.

When they arrive in California, Mexicans typically speak minimal English, have less than eighth-grade educations, and take low-skilled jobs. Their children tend to grow up bilingual, finish high school at rates close to the state average (though rarely go further), and find work in such semiskilled jobs as machinists and clerks. The third generation,

Mexican-Americans with American-born parents, are more comfortable with English than Spanish, attend college or technical school at rates approaching those of other Californians, and have gained a solid foothold in the middle-class professions.

Yet future economic trends threaten this classic pattern. The Rand study expressed alarm at the coming shrinkage of the bridge jobs—the skilled craft or clerical jobs often taken by the sons and daughters of Mexican immigrants—which may retard the progress of the second generation. The Center for Continuing Study of the California Economy figures that from now until 1995, the state economy will be increasingly technological, but that Hispanics, Asians, and blacks will not be holding the higher-skilled jobs in proportion to their population.

Such trends make it questionable whether the children of today's unskilled immigrants will be able to assimilate as easily as past generations. The problem could well be aggravated by the amnesty program. It will lead to the naturalization of an estimated two million immigrants, mostly unskilled, within seven years—and by the subsequent admission of their relatives under family reunification. The largest class of new immigrants may find themselves shut out of the most dynamic sectors of the economy, and thus from the assimilation process, by their lack of skills and education.

THE VARIABLE that most closely predicts economic success for immigrants as for other Americans is education. But Barry Chiswick's recent research suggests that the present, kinship-driven immigration system is beginning to drive immigrant educational levels down.

The shift of immigration from Europe to Asia and Latin America does not fully explain the decline. In fact, the phenomenon is most pronounced within the stream of Asian immigrants. Those who entered in the years immediately after the 1965 Act were the best-educated immigrant group ever because they received almost all their visas under the occupational and skills preferences. It was their children who astonished the nation with their accomplishments in high school math and science competitions ten to 15 years later. Yet this flow of talent is now being diluted by the priority given to their in-laws and cousins; since 1970 the average educational level of Asian immigrants has dropped by about two years.

The U.S. passed the 1965 Immigration Act at a time when America's economic predominance seemed as if it might extend forever. The nation had soaring gains in productivity, declining energy costs, a continually growing GNP. Other countries barely challenged the U.S. in the global markets, much less its own. Foreign control over American industry and real estate were difficult to imagine.

RONI MOSS

Visa applicants *patiently wait outside the U.S. embassy in Manila.*

Now, with the trade and budget deficits lurking in the background, a different vocabulary is gradually slipping into the discussion of the new bills. The letter introducing the Kennedy-Simpson immigration proposal quietly suggests that legislation would bring immigration policy "more in line with the national interest." Charles Schumer describes his bill as a way to help "competitiveness." Where immigration is concerned Congressmen raise such ideas cautiously, fearful of exposing themselves to the charge of being antifamily or worse.

A few guidelines should help the current debate. First, the U.S. needs immigrants as much as immigrants need the U.S. Current levels of legal immigration can be absorbed easily and can probably be increased. Second, the economy requires people with labor market skills and ability in math and the sciences. Third, the U.S. does not have a growing need for unskilled labor.

Current immigration policy seems designed to encourage the unskilled, deny the skilled. The amnesty provision in the 1986 Immigration Act can be defended on humanitarian grounds as protection of a vulnerable class of unskilled workers. But its eventual effect, when those future citizens start to unify their families, will be to confer citizenship on many millions of unskilled people. As long as present law remains in effect, those applicants will have priority over those whose only card is education, or needed job skills. When thousands of skilled nurses, who came in on temporary work permits, now face deportation in the midst of a looming national health care crisis, the family-first criteria seems truly perverse.

As a beginning to immigration reform, kinship immigration should be limited to immediate family members—spouses, minor children, parents. Second, the largest class of immigrants should be admitted on the basis of their education and of labor market needs. Most visas should be allocated by a point system, subject to regular congressional review and adjustment. Skills, education, and relative youth should count. A few points could be awarded for English-language skills, but most people, particularly in the professions, learn English rapidly enough. Family ties to American citizens might remain as a criterion, but only one among several.

Some effort should be made to ensure diversity, possibly by quotas based on the total population of each country. Greater variety in the immigrant stream would be likely to increase public and political support for more immigration. Finally, the quotas for refugees should be raised; no group of Americans teaches us more about the blessings of freedom.

If immigration reform is passed, Americans will discover a raging international competition for immigrants who can make a distinct economic contribution. Canada and Australia have had point systems for two decades and are happy with the results. While the U.S. has not issued a visa to an investor since 1978, Canada now welcomes immigrants with capital to invest and entrepreneurial skills. Immigration lawyer Daryl Buffenstein tells of listening recently to Canada's minister of state for immigration, Gerry Weiner, give a speech about the great benefits Canada was reaping from its new influx of entrepreneurial immigrants. Returning to his seat, Weiner leaned over and whispered to Buffenstein: "Just one favor—keep the American system exactly like it is." ■

argues that the ESOP "will tend to institutionalize the firm" by spreading ownership around. Perhaps more important, Getz says, it should be a motivator: "There is the prospect that something like this will happen again if it's a successful experience." In other words, new employee shareholders might eventually get to sell to the ESOP at a substantial multiple of book value.

The ESOP may smooth the ownership transition but does nothing for management succession. Reynolds is considered so much the dominant personality in the firm that observers are hard-pressed to name a suitable successor. Similarly with Egon Zehnder; though the firm is a partnership that elects its chairman every three years, it has elected the man whose name is on the door every time in its 24-year history. Korn/Ferry is organized in a pyramid, like a corporation, and may find that management succession runs smoothly. Competitors seem to agree with Richard Ferry that "we have a senior officer cadre that's pretty interesting." Financial services chief Windle Priem is often mentioned as a particularly strong manager.

The headhunters still face plenty of possibilities for trouble. Globalizing can eat ferociously into profits, and past attempts to diversify—like Boyden's—have sometimes bombed. But the American and world economies continue to expand, and no one seems to doubt that business is becoming more competitive. That translates into increasing demand for talent. Firms that can find it are almost certainly in a growth industry. ■

HOW THE TOP RECRUITERS REALLY RANK

How big are the major executive recruiters? Until now, no one has known for sure. All are either private or buried within larger public companies, so they report revenues any way they like and without independent verification. Those figures have sometimes been suspect, since the headhunters want to appear as large as possible.

To dispel the myths, FORTUNE commissioned Arthur Young & Co. to conduct a survey. More than two dozen firms identified as the largest by *Executive Recruiter News* were invited to participate; 14 made our cutoff of $4 million in U.S. recruiting fees last year and instructed their outside auditors to provide data to Alan L. Miller, an audit manager at Arthur Young. He verified the numbers and ensured they were comparably calculated. The result is the first authoritative list of recruiting firms' sizes.

Differences from previous lists are sometimes dramatic. Firms present data that are often inconsistent for a number of reasons. These include:

▶ Fiscal year differences. With many companies growing 15% to 30% a year, the difference between fiscal year-ends of April 30 (such as Korn/Ferry's) and September 30 (such as SpencerStuart's) can be significant. We required each firm to provide data for calendar 1987.

▶ Timing of currency translations. The dollar's plunge in 1987 makes this a critical factor for companies with large overseas earnings. We required each firm to use weighted average exchange rates.

▶ Treatment of nonrecruiting revenues. Some firms bring in large amounts from mergers, consulting, or other sources. We counted only recruiting fees.

▶ Treatment of reimbursable expenses. Most recruiters think such expenses should not be counted as revenue. Korn/Ferry has always included them, giving competitors a chance to snipe at its No. 1 rank. President Richard Ferry was a strong proponent of the FORTUNE analysis, which excludes these expenses, though it had the predictable result of narrowing his firm's lead.

▶ Treatment of revenues from foreign affiliates. We have counted all the revenues of foreign affiliates as long as they refer business exclusively to each other, have formalized arrangements for fee splitting, and meet frequently, even if they operate under separate names and share no ownership. Reason: However they choose to be owned or named, they operate as a single competitive unit.

▶ Just plain lying. "I'm *so* glad that you're doing this," said a co-founder of a successful firm just too small to make this list. "At my old firm, when the press called, the president would double our revenues to give them a figure." The firm in question is on the chart—with the real numbers. —H.S.F.

The Biggest U.S.-Based Headhunters

List includes all American firms with at least $4 million of U.S. revenues except New York's Richards Consultants, which did not provide data to FORTUNE's specifications but is probably in the list's lower half.

COMPANY	1987 RECRUITING FEES			
	WORLDWIDE[1] in millions	rank	U.S. in millions	rank
Korn/Ferry International[2]	$68.4	1	$45.2	1
Russell Reynolds Associates	$67.7	2	$41.0	2
SpencerStuart	$56.0	3	$26.2	4
Heidrick & Struggles[3]	$38.9	4	$27.8	3
Ward Howell International[4]	$35.4	5	$12.0	6
Boyden International[5]	$26.8	6	$13.1	5
Peat Marwick Main & Co.	$18.2[6]	7	$7.4	9
Paul R. Ray & Co.	$12.5	8	$11.8	7
Nordeman Grimm	N.A.[7]	9	$9.6	8
Handy Associates	$7.1	10	$7.1	10
Lamalie Associates	$6.4	11	$6.4	11
Kearney Executive Search	$5.2	12	$4.1	14
Witt Associates	$4.9	13	$4.9	12
Higdon Joys & Mingle	$4.4	14	$4.4	13

[1]Includes U.S. [2]K/F owns part of its Mexican offices, but 100% of all others. [3]H&S owns 49% of its overseas offices. [4]Foreign offices are locally owned. [5]Assets in all countries are locally owned. [6]Reflects worldwide results for fiscal year ended 6/30/87; U.S. figures are for calendar 1987. [7]Not available.